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**FISCAL IMPACT STATEMENT**

**LS 7596**

**BILL NUMBER:** HB 1546

**NOTE PREPARED:** Feb 21, 2003

**BILL AMENDED:** Feb 20, 2003

**SUBJECT:** Participating Health Providers.

**FIRST AUTHOR:** Rep. Fry

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill allows active and retired elected or appointed officials and employees of local governmental units, including state educational institutions, to participate in a group health insurance program offered to active employees of the state.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** (Revised) This bill expands the eligible participants who may purchase insurance through the state employee plan. This may result in higher premiums for state government agencies. The increase in premiums is due to adverse selection, or groups of people who join a health plan having a greater than average need for services than the current participants in the health plan. This higher risk correlates to higher premiums for the entire group. It is unknown as to how many new local unit groups would opt into the state employee health plan.

The decision to participate in the state employee health plan would be optional for a local governmental unit, including school corporations, and state educational institutions. The bill requires local governmental units and their employees and retired employees to pay the same rates for coverage as the state and its employees and retired employees.

A local governmental unit that chooses to participate in the state employee health plan may have an adverse effect on the premiums of that plan depending upon (1) the health claims history of the employees of the local unit and (2) the relative size of that group. In particular, if the claims history of such employees suggests that they are a higher risk group than members of the state employee health plan, premiums of the plan could potentially increase for all participants. The extent of the increase would, in part, depend upon

the size of the group joining the state health plan whose potential higher health care costs must be distributed among all members of the state health plan. There are currently 174,700 local unit employees that would be eligible for this coverage. There are currently 34,789 state employees enrolled in the state employee health plan.

As of October 2002, there were 28 local unit groups that participated in the current local unit group plan option and 552 employees enrolled. Current rates for local unit group coverage average \$6,448 for single coverage and \$17,253 for family coverage per year. There are six different provider plans available for local unit group participants: one traditional self-insured plan and five health maintenance organization plans. State employee plan premiums average \$4,725 for single coverage and \$12,369 for family coverage. The state employee rates are \$1,723 less for single and \$4,884 less for family coverage than the current local unit group rates.

Assuming that these same local unit groups buy in to the state employee plan, this additional risk-associated cost would be spread among all state employees. These 28 local unit groups pay an estimated \$1.8 M more than they would under the current state employee rates due to adverse risk. This adverse risk would be spread among more employees if these individuals were enrolled in the current state employee pool, and their inclusion would likely increase the premiums for all individuals. The extent of this increase is unknown.

The state may choose to absorb any additional costs of these provisions or to pass these costs on to employees in the form of higher deductibles, higher premiums, or by limiting other conditions covered.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Administration; Institutions of Higher Education.

**Local Agencies Affected:** All.

**Information Sources:**

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